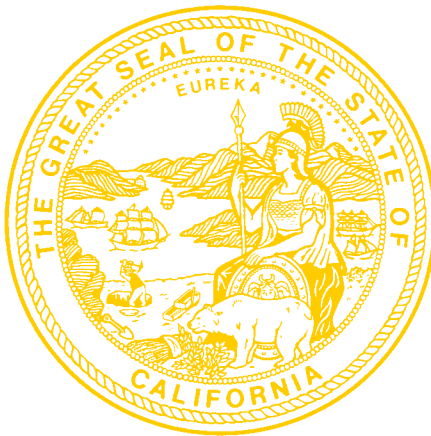


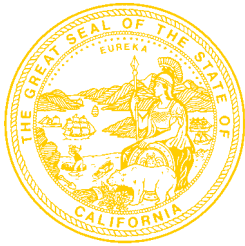
# State of California



## Fair Political Practices Commission

### 2003 Annual Report

(Originally published as an article  
in the April 2004 FPFC Bulletin)



## **Our 29th Year of Service**

# **The FPPC Tackled Heavy Workload in 2003, Launched New Initiatives, Encouraged Public Participation and Feedback**

**T**he Fair Political Practices Commission is a bipartisan, independent panel of five members that is responsible for administering and enforcing the Political Reform Act's rules on conflicts of interest, campaign contributions and expenditures and lobbying disclosure.

The year 2003 brought the Commission and its supporting staff an extensive workload and many challenges in all of these areas. But our agency, striving to make the most efficient use of limited resources, also launched new initiatives to further advance our mission of service to Californians and their government.

Among these initiatives was a project to publish new campaign disclosure manuals, further implementation of Proposition 34, and a redoubling of our efforts to seek input and feedback from the regulated community and the public in the formative stages of our rule-making process.

The Commission, created by a vote of the people through a 1974 initiative, began operation in 1975 and marked its 29th year of service in 2003. Our regulated community includes tens of thousands of state and local government officials and designated employees, as well as state and local candidates, campaign committees and major donors, and lobbyists.

The FPPC is one of the smaller state agencies. We have a staff of 69 employees and a 2003-04 fiscal year budget of approximately \$6.5 million. The Chair of the Commission serves full time and is salaried, while the four other commissioners serve part time and receive a modest stipend for each monthly meeting.

Joining the Commission in 2003 are a new chairperson, former municipal attorney and former FPPC counsel Liane Randolph, and

two new commissioners -- Stanford University law Professor Pamela Karlan and San Diego businessman Philip Blair.

The five-member Commission, as is traditional, conducted the vast majority of its formal



FPPC Political Reform Consultants Cynthia Jones, left, and Teri Rindahl are among our staff members who lead seminars for Statement of Economic Interests filing officers from other state and local government agencies. The seminars feature informative PowerPoint presentations and extensive opportunities for questions and answers.

business at monthly, public meetings at the FPPC's downtown Sacramento hearing room. The Commission had over 200 agenda items before it during its 2003 meetings, requiring extensive preparations and review of documents by the commissioners prior to each meeting.

The following are some of the major highlights

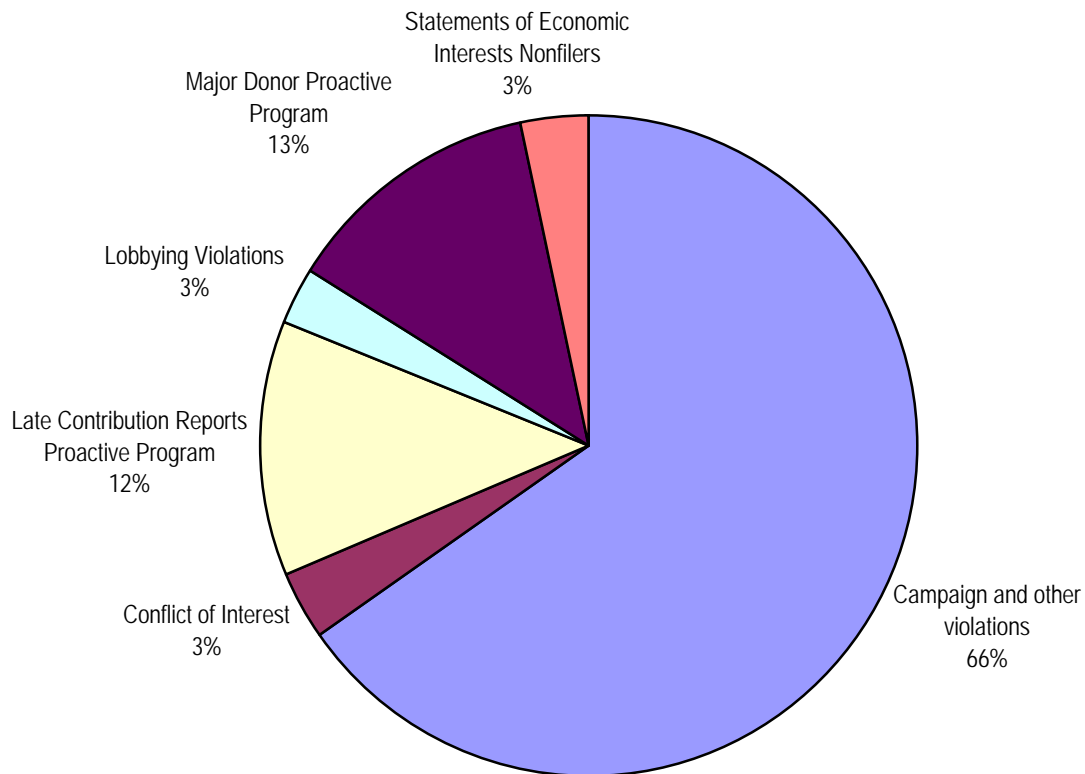
*(Continued on page 19)*

**FPPC Enforcement Actions**  
**Summary of Fines Assessed and Imposed**  
**1975 through 2003**

<b>Year</b>	<b>Administrative Actions</b>				<b>Civil Judgments</b>	
	<b>Cases</b>	<b>Fines Assessed</b>	<b>Fines Waived</b>	<b>Fines Imposed</b>	<b>Cases</b>	<b>Fines Assessed</b>
1975	0	\$0	\$0	\$0	0	\$0
1976	11	\$1,400	\$500	\$900	0	\$0
1977	1	\$4,000	\$0	\$4,000	0	\$0
1978	1	\$4,500	\$0	\$4,500	2	\$25,250
1979	8	\$6,820	\$0	\$6,820	2	\$6,500
1980	18	\$79,600	\$35,950	\$43,650	1	\$1,000
1981	5	\$14,600	\$3,000	\$11,600	2	\$5,000
1982	10	\$57,500	\$10,750	\$46,750	0	\$0
1983	5	\$71,100	\$12,500	\$58,600	1	\$1,250
1984	15	\$72,200	\$4,000	\$68,200	0	\$0
1985	7	\$24,750	\$5,000	\$19,750	1	\$9,000
1986	12	\$37,400	\$1,250	\$36,150	0	\$0
1987	22	\$97,900	\$6,000	\$91,900	0	\$0
1988	34	\$154,600	\$10,500	\$144,100	3	\$367,500
1989	35	\$182,250	\$0	\$182,250	0	\$0
1990	36	\$219,000	\$0	\$219,000	0	\$0
1991	39	\$463,550	\$0	\$463,550	3	\$235,000
1992	44	\$276,450	\$0	\$276,450	3	\$415,000
1993	36	\$833,050	\$0	\$833,050	1	\$772,000
1994	30	\$656,800	\$0	\$656,800	1	\$85,000
1995	51	\$1,698,050	\$0	\$1,698,050	0	\$0
1996	56	\$1,026,221	\$0	\$1,026,221	0	\$0
1997	54	\$912,650	\$0	\$912,650	2	\$47,000
1998	96	\$1,190,710	\$0	\$1,190,710	7	\$95,490
1999	63	\$968,500	\$0	\$968,500	5	\$309,900
2000	174	\$554,037	\$0	\$554,037	1	\$9,100
2001	158	\$595,000	\$0	\$595,000	2	\$83,000
2002	143	\$1,007,836	\$0	\$1,007,836	4	\$119,000
2003	256	\$693,734	\$0	\$693,734	2	\$105,000
<b>TOTALS</b>	<b>1,420</b>	<b>\$11,904,207</b>	<b>\$89,450</b>	<b>\$11,814,757</b>	<b>43</b>	<b>\$2,690,990</b>

## 2003 Total Enforcement Fines—\$798,734

### Fines By Type of Violation



### Administrative and Civil Settlements—2003

<i>TYPE OF VIOLATION:</i>	<i>Fines</i>	<i>No. of Cases</i>	<i>Case %</i>	<i>Fine %</i>
Campaign and other violations	\$520,400	46	18%	66%
Conflict of Interest	\$27,500	3	1%	3%
Late Contribution Reports Proactive Program	\$99,253	35	14%	12%
Lobbying Violations	\$24,000	2	1%	3%
Major Donor Proactive Program	\$100,381	142	54%	13%
Statements of Economic Interests Nonfilers	\$27,200	30	12%	3%
<b>Total</b>	<b>\$798,734</b>	<b>258</b>	<b>100%</b>	<b>100%</b>

(Continued from page 16)

of the FPPC's work in 2003:

### Enforcing the law

The FPPC's Enforcement Division opened 892 enforcement case files in 2003. The division completed prosecution of 258 cases, compared to 147 cases prosecuted in 2002. The Commission assessed nearly \$800,000 in administrative and civil fines in 2003 (please see the charts accompanying this article for details).

Of these cases, 54 percent stemmed from our Major Donor Proactive Program, 18 percent involved campaign and other violations, 14 percent resulted from our Late Contribution Reports Proactive Program, 12 percent involved Statements of Economic Interests non-filers, and one percent each resulted from conflict of interest prosecutions and lobbying violation cases.

The special proactive programs used by the Enforcement Division result in expedited prosecutions and public disclosure. The division strives to educate and alert respondents with the goal of preventing additional violations of the Political Reform Act in the future.

The 2003 fines brought the cumulative total of FPPC fines to \$14,595,198, combined administrative and civil, since the agency began operation in 1975.

While many enforcement cases are resolved through stipulated settlement agreements, some cases involve complex and lengthy litigation before the civil courts. Attorneys and other staff from the Legal Division and Enforcement Division, in some cases with the assistance of outside counsel, labor many hours on these cases. Major civil cases ongoing in 2003 included nationally watched litigation involving the application of the Political Reform Act's disclosure requirements to Indian tribes. (In a major legal victory for the agency, the 3rd District Court of Appeal in Sacramento in

(Continued on page 21)

## The FPPC: Who we are

The Fair Political Practices Commission was created by the Political Reform Act of 1974, a ballot initiative passed by California voters as Proposition 9.

The Commission is a bipartisan, independent body of five members that administers and enforces the Political Reform Act's rules on conflicts of interest, campaign contributions and expenditures and lobbying disclosure.

The Commission educates the public and public officials on the requirements of the Act. It provides written and oral advice to public agencies and officials; conducts seminars and training sessions; develops forms, manuals, instructions and educational materials; and receives and files economic interests statements from many state and local officials.

The Commission investigates alleged violations of the Political Reform Act, imposes penalties when appropriate and assists state and local agencies in developing and enforcing conflict-of-interest codes.

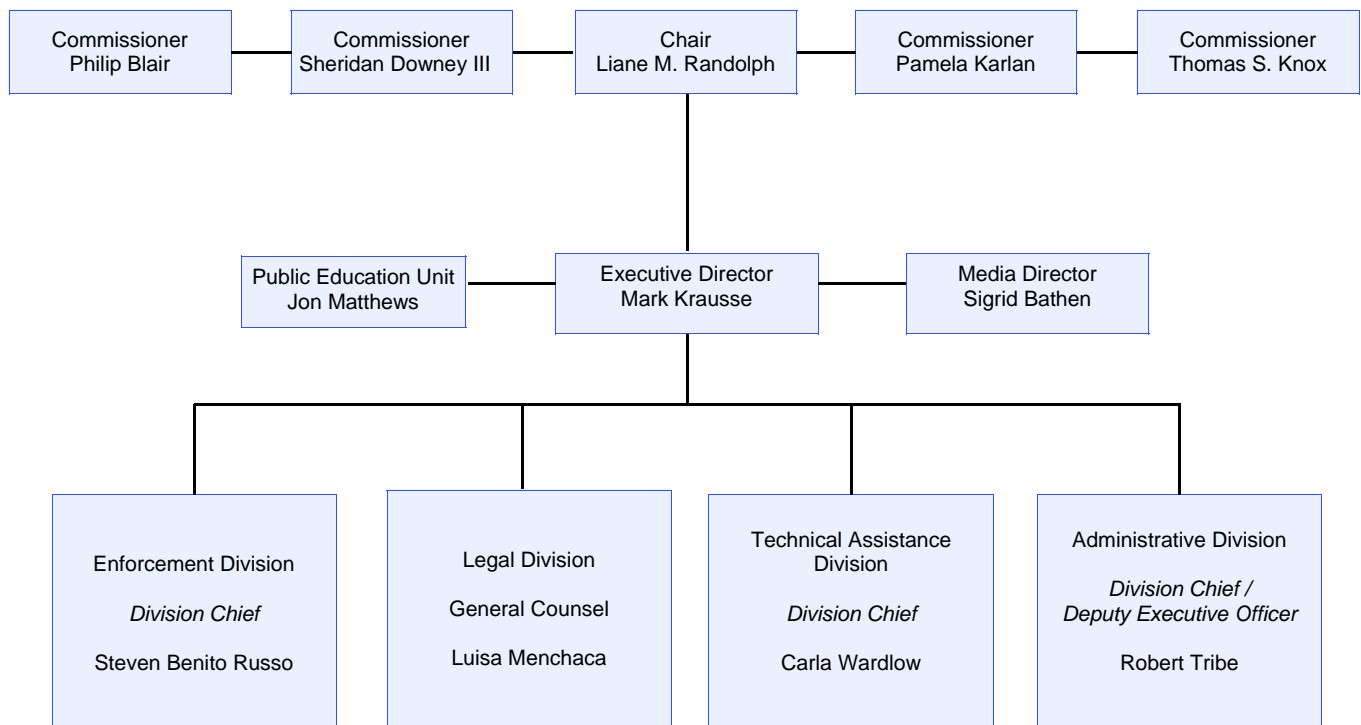
The Governor appoints two commissioners, including the chairman. The Secretary of State, the Attorney General and the State Controller each appoint one commissioner. Commissioners serve a single, four-year term, and no more than three members can be registered with the same political party. The chairman is salaried and serves full-time, and the other four members serve part-time.

The Commission generally meets once each month to hear public testimony, issue opinions, adopt regulations, order penalties for violations of the Act and take other action.

Supporting the Commission is a staff of 69 employees. The Commission has four main divisions — Enforcement, Technical Assistance, Legal and Administration, as well as a small executive staff and a Public Education Unit.

The Commission is headquartered at 428 J Street in downtown Sacramento. The public reception area is in Suite 620.

## Fair Political Practices Commission Organization Chart April 2004



(Continued from page 19)

March 2004 upheld the right of the FPPC to sue the Agua Caliente Band of Cahuilla Indians for failing to disclose the tribe's contributions to political campaigns and its lobbying activities. The case is continuing.)

## Informing the public and regulated community

While the FPPC worked diligently to fairly enforce the Political Reform Act during 2003, Commissioners and staff members also strived to educate and inform the members of the regulated community about their legal obligations.

A major FPPC staff project completed in 2003 was the writing and production of two new campaign disclosure manuals for state and local candidates. The comprehensive publications, now available on the FPPC's web site, were given final approval by the Commission at its January 2004 meeting.

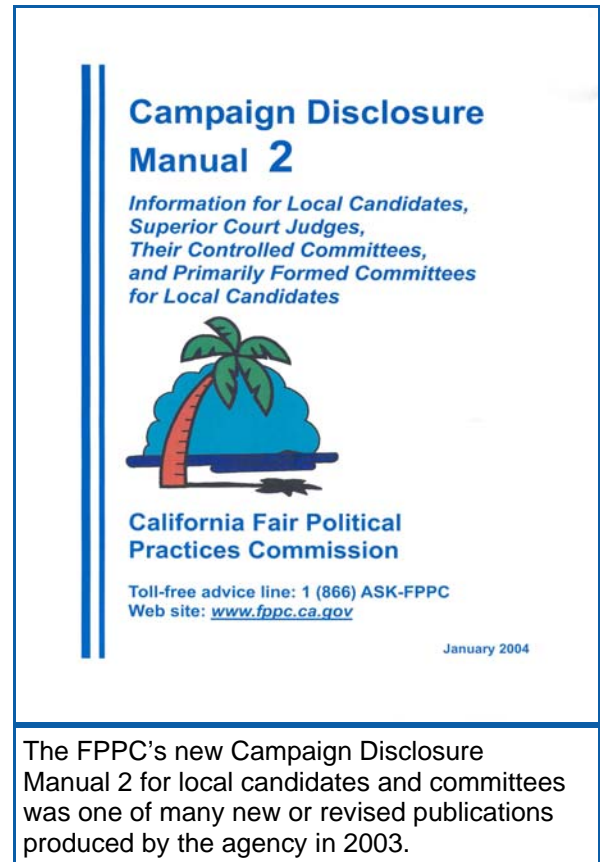
The new manuals include information on candidates' and committees' record keeping requirements, definitions important to campaigns, reporting obligations and restrictions and prohibitions.

Other new or revised publications included a fact sheet for candidates involved in the special 2003 statewide recall election, and a new edition of the pamphlet, "How Do I Get Advice from the FPPC?"

Members of the Commission, Legal Division staff and other employees also made a strong effort to encourage participation in the FPPC's Interested Persons Process. This included web-based and e-mail-based notices of opportunities for comment.

In other work, FPPC staff members answered thousands of calls for telephone advice from members of the regulated community. The FPPC saw its very popular toll-free advice line—1-866-ASK-FPPC—complete its third full year of operation. On all lines in 2003, our Technical Assistance Division staff members received 47,064 calls seeking advice, guidance and other assistance.

Callers asked a broad variety of questions, including how to comply with the Political Re-



The FPPC's new Campaign Disclosure Manual 2 for local candidates and committees was one of many new or revised publications produced by the agency in 2003.

form Act's rules governing campaign contributions and expenditures, how to avoid conflicts of interest, how to complete Statements of Economic Interests (Form 700s), or how to comply with lobbying disclosure requirements.

In 2003, the month of January was the busiest for our advice line staff, with 5,578 calls received. But at least 4,000 calls were received during each of seven months of the year.

On the more complicated advice issues, the FPPC wrote 304 letters of advice to those with obligations or duties under the Political Reform Act. The Legal Division and Technical Assistance Division conducted frequent joint internal advice meetings on the more complex issues pertaining to advice.

To the extent our budget resources permitted, FPPC staff also conducted many in-person seminars and outreach visits during 2003.

The FPPC's Technical Assistance Division offered 27 in-person seminars with a total of 1,033 attendees. These seminars, held at FPPC headquarters in Sacramento and in various cities

(Continued on page 22)



*“Express advocacy” is a term crucial to government regulation of campaign advertising. Its central importance grew out of the Supreme Court’s initial review of the Federal Election Campaign Act, where the Court found that the First Amendment will sanction regulation of campaign speech only when that speech is “coordinated” with a candidate, or contains what has come to be called “express advocacy.” Thus in California any person spending more than a threshold amount on speech that includes “express advocacy” becomes a “committee” under the Act, subject to associated public filing and disclosure obligations, and contribution limits.*

*Because of its importance, the definition of “express advocacy” has had a long history, worked out in federal and state courts over the past 26 years. Two recent decisions by California appellate courts interpret the Act’s definition of “express advocacy,” a development suggesting to staff that the Commission may wish to review its current regulations on this point. After an overview of case law to supply necessary context, this memorandum explains how these recent decisions construe “express advocacy” under the Act, flags matters the Commission may wish to consider in coming months, and offers the public an opportunity to comment on the same topics.*

— Excerpt from one of many 2003 Legal Division memoranda presented to the Commission

(Continued from page 21)

and agency offices, offer an informal overview of Political Reform Act obligations. The seminars feature colorful PowerPoint presentations, informal discussions, and lengthy opportunities for questions and answers.

The seminars included:

- Eight candidate/treasurer seminars held in the communities of Napa, Norwalk, Pasadena, Vallejo, Rancho Palos Verdes, Mountain View, Westlake Village and Modesto;
- Three conflict of interest code review seminars for state agencies, held at the Commission offices in Sacramento;
- Nine Statement of Economic Interests filing officer seminars, attended by 439 filing officers and officials.

Technical Assistance Division staff also participated in 46 campaign and Statement of Economic Interests outreach visits in 2003, providing highly tailored instruction to attendees.

Other Commission staff, including those from Executive, the Legal Division and the Enforcement Division, also participated in outreach activities. For example, our Enforcement Division staff attended a three-day meeting of the

California District Attorneys’ section on political corruption, while Legal Division staff provided a conflict of interest seminar at the San Diego Port Authority in February. The Legal Division also received positive evaluations for seminars offered for other state agencies on the subject of revolving door restrictions.

Commission staff assisted the Bipartisan California Commission on Internet Political Practices as it prepared to release its final report, and posted meeting agenda and other information from the Bipartisan Commission on our web site.

With the assistance of all divisions, the Public Education Unit coordinated the FPPC’s web site, published the FPPC Bulletin and other educational publications, provided a dial-in broadcast of Commission meetings, and offered other services.

On the national level, the Commission chair, the Public Education Unit and staff from the Enforcement Division actively participated in COGEL, the Council on Governmental Ethics Laws. COGEL membership includes ethics, elections and freedom of information agencies from across the U.S. and Canada.

The FPPC’s media director, assisted by the Executive Fellow, interns and other staff, responded to numerous inquiries from reporters and editors representing California and national

(Continued on page 23)



(Continued from page 22)

newspapers, radio and television broadcast networks and stations, magazines, web-based publications, newsletters and the foreign press. Assistance provided by the agency included copies of public records, in-depth interviews, telephone assistance, and publication of numerous press releases and press advisories.

The FPPC's media director, Sigrid Bathen, received the Lifetime Achievement Award from the State Information Officers Council (SIOC). The award honored Bathen's long and distinguished career in state government communications and public service.

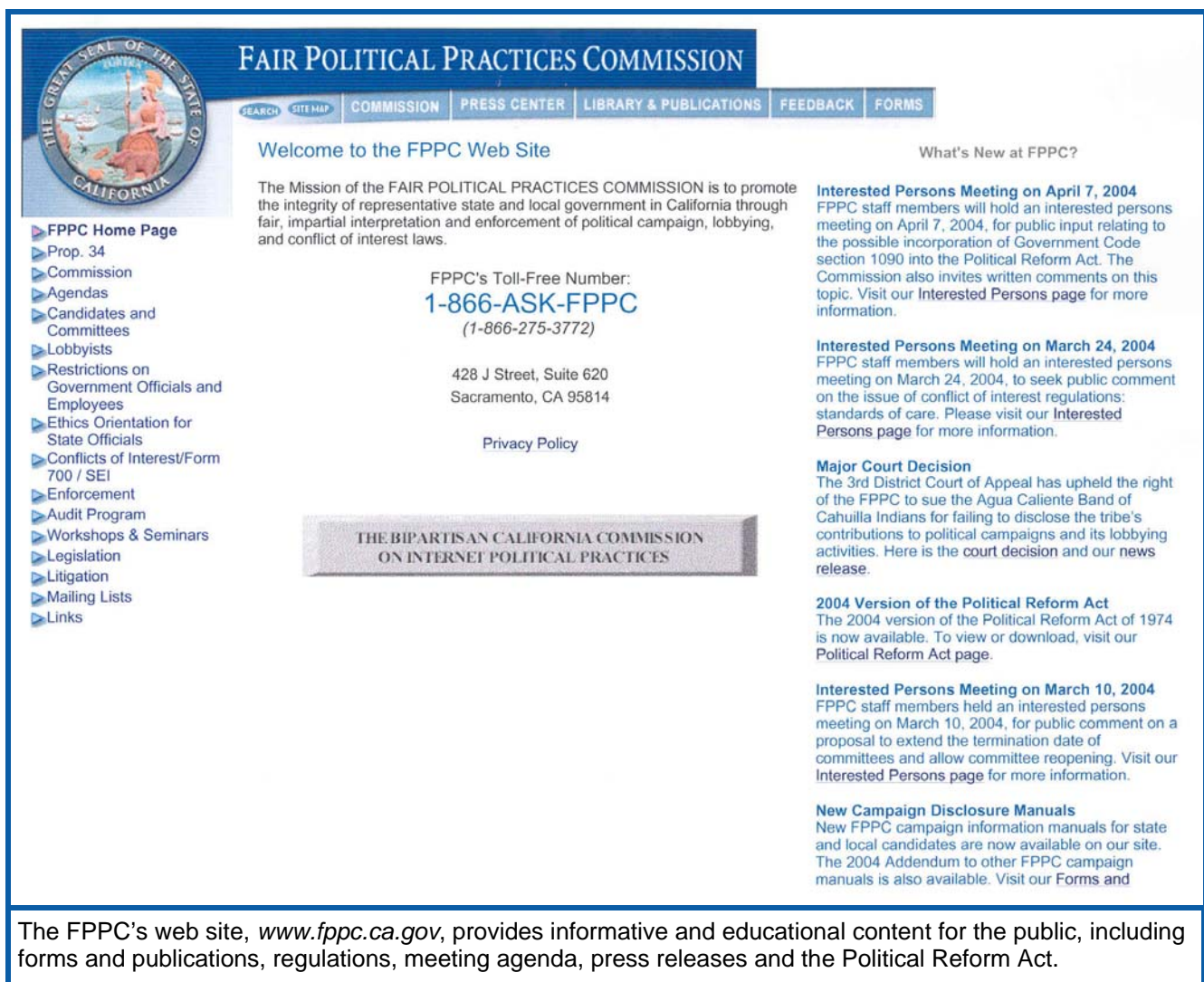
## Interpreting the law

The Commission, assisted by the Legal Division and other staff members, continued and expanded its core work of implementing the Political Reform Act. Efforts on these projects included the adoption, amendment or repeal of 37 regulations during 2003.

This included further implementation of the complex provisions of Proposition 34, the campaign reform initiative passed by voters in November of 2000.

In the years since Proposition 34 was enacted, the Commission has adopted or amended over 40 regulations and issued two

(Continued on page 24)



**FAIR POLITICAL PRACTICES COMMISSION**

SEARCH SITE MAP COMMISSION PRESS CENTER LIBRARY & PUBLICATIONS FEEDBACK FORMS

Welcome to the FPPC Web Site

The Mission of the FAIR POLITICAL PRACTICES COMMISSION is to promote the integrity of representative state and local government in California through fair, impartial interpretation and enforcement of political campaign, lobbying, and conflict of interest laws.

FPPC's Toll-Free Number:  
**1-866-ASK-FPPC**  
(1-866-275-3772)

428 J Street, Suite 620  
Sacramento, CA 95814

Privacy Policy

**THE BIPARTISAN CALIFORNIA COMMISSION  
ON INTERNET POLITICAL PRACTICES**

**FPPC Home Page**

- ▶ Prop. 34
- ▶ Commission
- ▶ Agendas
- ▶ Candidates and Committees
- ▶ Lobbyists
- ▶ Restrictions on Government Officials and Employees
- ▶ Ethics Orientation for State Officials
- ▶ Conflicts of Interest/Form 700 / SEI
- ▶ Enforcement
- ▶ Audit Program
- ▶ Workshops & Seminars
- ▶ Legislation
- ▶ Litigation
- ▶ Mailing Lists
- ▶ Links

**What's New at FPPC?**

**Interested Persons Meeting on April 7, 2004**  
FPPC staff members will hold an interested persons meeting on April 7, 2004, for public input relating to the possible incorporation of Government Code section 1090 into the Political Reform Act. The Commission also invites written comments on this topic. Visit our [Interested Persons page](#) for more information.

**Interested Persons Meeting on March 24, 2004**  
FPPC staff members will hold an interested persons meeting on March 24, 2004, to seek public comment on the issue of conflict of interest regulations: standards of care. Please visit our [Interested Persons page](#) for more information.

**Major Court Decision**  
The 3rd District Court of Appeal has upheld the right of the FPPC to sue the Agua Caliente Band of Cahuilla Indians for failing to disclose the tribe's contributions to political campaigns and its lobbying activities. Here is the court decision and our news release.

**2004 Version of the Political Reform Act**  
The 2004 version of the Political Reform Act of 1974 is now available. To view or download, visit our [Political Reform Act page](#).

**Interested Persons Meeting on March 10, 2004**  
FPPC staff members held an interested persons meeting on March 10, 2004, for public comment on a proposal to extend the termination date of committees and allow committee reopening. Visit our [Interested Persons page](#) for more information.

**New Campaign Disclosure Manuals**  
New FPPC campaign information manuals for state and local candidates are now available on our site. The 2004 Addendum to other FPPC campaign manuals is also available. Visit our [Forms and](#)

The FPPC's web site, [www.fppc.ca.gov](http://www.fppc.ca.gov), provides informative and educational content for the public, including forms and publications, regulations, meeting agenda, press releases and the Political Reform Act.

*(Continued from page 23)*

opinions relating to its provisions. In addition, the Commission made several major policy decisions, first pertaining to the campaign reporting requirements under the new law, then focusing on discrete areas such as outstanding net debt, transfers, carry-over, and expenditure limits.

Interested Persons meetings in 2003 invited public comment on a wide range of rulemaking subjects including reporting of incentive compensation, reporting by affiliated entities, defining express advocacy, conflicts of interests, statements of economic interests, and various draft publications.

To assist the public, regulated community and FPPC staff members, the FPPC published an annual revision of the Political Reform Act in 2003. This annual publication is required by statute.

## Filing duties

In 2003, FPPC staff members received, logged, reviewed, and filed 21,718 Statements of Economic Interests and Statements of Economic Interests amendments from public officials across California. These statements are public records and copies are made available by the Commission to the public upon request at no charge or, in cases of quantity orders, for a nominal fee.

Employees and officeholders of virtually all state and local agencies, as well as candidates for public office, use the FPPC "Form 700" to file these personal financial statements. The FPPC reviewed and revised the Form 700 during 2003—an annual project.

Many Statements of Economic Interests are not filed directly with the FPPC, but instead go to local or state agency filing officers or other officials. The FPPC did extensive work in 2003 to help train Form 700 filing officers and filing officials at other agencies, and to assist other state and local government agencies in the adoption, review and update of their individual conflict of interest codes.

## Web site development

As part of its continuing efforts to better serve the regulated community and public, and make the most efficient use of its resources, the FPPC continued to expand and improve its web site during 2003.

Major revisions included full implementation of a new, automated list-serve e-mail subscription system. Using the Mailing Lists page on our web site, anybody can sign up to automatically receive various FPPC publications, interested persons notices, monthly meeting agendas and other information.

The agency has converted many of its publications and notices to be primarily web-based and e-mail-based publications. This provides more timely information to the public and regulated community and conserves resources. However, a limited number of printed copies are made available for those without computer resources.

Other new web features in 2003 included a consolidated Interested Persons notice page and a page for the FPPC's ongoing study of proposals to merge Government Code section 1090 and other statutory and common law conflict of interest provisions into the Political Reform Act.

## Administration

In 2003, the FPPC's small Administration Division provided computer and data processing support, budgeting, purchasing, printing, personnel services, public reception, mailing, document receiving and many other vital services. The division helped the agency reduce ongoing and one-time operations costs and function as efficiently as possible within its budget and personnel resources.